

## Message Text

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INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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R 242142Z NOV 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8129

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POUCHED INFO ALL CONSULATES IN CANADA

PASS LABOR

E.O. 11652: N/A

TAGS: ECON, ELAB, CA

SUBJ: FURTHER DEVELOPMENTS IN ANTI-INFLATION PROGRAM

REF: OTTAWA 4197

BEGIN UNCLASSIFIED

1. SUMMARY. FOCUS OF GOC ANTI-INFLATION PROGRAM DURING PAST TWO WEEKS REMAINED IN HOUSE FINANCE, TRADE AND ECONOMIC AFFAIRS COMMITTEE HEARING WITNESSES ON LEGISLATION FOR PROGRAM. BUSINESS LEADERS GENERALLY TESTIFIED IN FAVOR OF BILL, ALTHOUGH VOICING OBJECTIONS TO CERTAIN FEATURES OF GUIDELINES, WHILE ORGANIZED LABOR REPRESENTATIVES WITHHELD SUPPORT FOR LEGISLATION AND PROGRAM. PC OPPOSITION IN PARLIAMENT ATTEMPTED AMEND BILL, BUT WERE VOTED DOWN BY LIBERAL MAJORITY AND PC LEADER STANFIELD THREATENED WITHHOLD SUPPORT ON THEIR READING OF BILL. INSIDE POSTAL WORKERS REMAINED ON STRIKE, TYING UP MOST OF CANADA'S MAIL SYSTEM. SOLE BRIGHT SPOT IN LIMITED OFFICIAL USE

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GOC ANTI-INFLATION FIGHT WAS ANNOUNCEMENT BY

SOME FOOD CHAINS TO FREEZE PRICES UNTIL MID-JANUARY. END SUMMARY.

2. GOC ANTI-INFLATION LEGISLATION STILL IN HOUSE FINANCE COMMITTEE BUT SHOULD BE REPORTED OUT NOVEMBER 25 OR 26 AS MPS HAVE BEGUN SECTION BY SECTION REVIEW OF BILL. PC OPPOSITION HAS OFFERED AMENDMENTS WHICH HAVE BEEN VOTED DOWN AND PC LEADER STANFIELD THREATENED WITHHOLD SUPPORT FOR BILL'S THIRD READING.

3. EXCEPT FOR ORGANIZED LABOR, WHICH REMAINED ADAMANTLY OPPOSED TO LEGISLATION, MOST WITNESSES BEFORE FINANCE COMMITTEE OFFERED GUARDED SUPPORT FOR ANTI-INFLATION PROGRAM. CONSUMERS' ASSOCIATION OF CANADA, FOR EXAMPLE, WHILE AGREEING WITH BASIC THRUST OF PROGRAM, WANTED GOC TO GO EVEN FURTHER THAN PRESENT GUIDELINES BY HAVING ANTI-INFLATION BOARD ESTABLISH PRICE POLICY WHICH WOULD EITHER FREEZE PRICES AT CURRENT LEVELS OR ROLL THEM BACK.

4. CANADIAN MANUFACTURERS' ASSOCIATION PRESIDENT HAROLD CORRIGAN TOLD HOUSE FINANCE COMMITTEE THAT "ASSOCIATION SUPPORTS THE ANTI-INFLATION PROGRAM AND WILL DO ITS UTMOST TO MAKE THE PROGRAM WORK". HOWEVER, CORRIGAN HAD A NUMBER OF SUGGESTIONS FOR CHANGING AND/OR IMPLEMENTING THE PROGRAM, INCLUDING A REQUEST THAT MEMBERS OF THE ANTI-INFLATION BOARD CONSULT "VARIOUS SECTORS OF THE ECONOMY" BEFORE DRAFTING FINAL REGULATIONS. CORRIGAN ALSO ARGUED AGAINST PRECLEARANCE OF INCOMES OR PRICE CHANGES.

5. CANADIAN FEDERATION OF INDEPENDENT BUSINESSES ALSO INDICATED TO COMMITTEE THAT MAJORITY OF ITS MEMBERSHIP "WOULD PROBABLY SUPPORT BILL C-73 AT THIS TIME", AND PRESIDENT OF CANADIAN CONSTRUCTION INDUSTRY TOLD COMMITTEE HIS ASSOCIATION "HAS GIVEN SUPPORT PUBLICLY TO THE GOVERNMENT'S THRUST IN THIS REGARD".

6. REPRESENTATIVES OF ORGANIZED LABOR, WHICH TESTIFIED BEFORE THE COMMITTEE, WERE ALMOST UNANIMOUS IN OPPOSING LEGISLATION RESTRICTING WAGE SETTLEMENTS. IN BRIEFS LIMITED OFFICIAL USE

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TO HOUSE COMMITTEE, QUEBEC FEDERATION OF LABOR CALLED BILL C-73 "INIQUITOUS, HATEFUL AND UNJUST". IN A BRIEF ENTITLED "NO TO THE TRUDEAU MEASURES", THE SMALL QUEBEC-BASED CENTRALE DES SYNDICATES DEMOCRATIQUES DENOUNCED THE LEGISLATION WHICH "WILL REDUCE THE ALREADY INADEQUATE PORTION OF THE NATIONAL PRODUCT ALLOCATED TO WAGES WHILE INCREASING THE PORTION ALLOCATED TO FEES AND PROFITS". CONFEDERATION OF NATIONAL TRADE UNIONS REPS

ALSO TESTIFIED AGAINST BILL.

7. MRS. SHIRLEY CARR, EXECUTIVE VICE PRESIDENT OF CANADIAN LABOR CONGRESS, SUMMED UP ORGANIZED LABOR'S OPPOSITION TO LEGISLATION WHEN SHE TOLD FINANCE COMMITTEE ON NOVEMBER 18 THAT CLC "IS OPPOSED TO WAGE AND PRICE CONTROLS. BILL C-73 IS A WAGE AND PRICE CONTROL LEGISLATION AND THE CONGRESS CANNOT THEREFORE ACCEPT THIS BILL... THERE IS NO COUNTRY TO OUT KNOWLEGE THAT HAS SUCCESSFULLY IMPLEMENTED A WAGE AND PRICE CONTROL PROGRAM".

8. CONFUSION DEVELOPED OVER ANTI-INFLATION BOARD'S AUTHORITY AND CONTROL OVER PRICES SET BY GOVERNMENT MARKETING BOARDS. BOARD VP BERYL PLUMPTRE TOLD FINANCE COMMITTEE THAT THE EGG MARKETING BOARD (CEMA) WOULD HAVE TO JUSTIFY RECENT INCREASE IN EGG PRICES, BUT FINMIN MACDONALD TOLE THE COMMITTEE THAT WAGE AND PRICE CONTROLS WOULD NOT APPLY TO CEMA "BECAUSE FOOD PRICES AT THE FARM LEVEL ARE EXEMPT". MACDONALD COMPOUNDED CONFUSION BY TELLING PARLIAMENT THAT "THERE WOULD BE SOME DIFFICULTIES AND UNCERTAINTIES AS TO HOW FAR THE JURISDICTION OF THE ANTI-INFLATION BOARD MIGHT EXTEND".

9. JEAN LUC-PEPIN'S DISCLOSURE LAST WEEK THAT HE WOULD BE MAKING ABOUT C\$54,000 PER YEAR AS CHAIRMAN OF ANTIINFLATION REVIEW BOARD BROUGHT SOME CRITICISM FROM LOCAL PESS AS BAD EXAMPLE FOR GOC IN PROMOTING RESTRAINT POLICY, BUT MINISTER OF CONSUMER AND CORPORATE AFFAIRS JUSTIFIED SALARY AS "INTERMEDIATE" PAY OF DEPUTY MINISTERS WHOSE SALARY RANGE IS BETWEEN C\$49,000 AND C\$60,000. MINISTER ALSO CLAIMED THAT PAY LIMITED OFFICIAL USE

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

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OF OTHER MEMBERS OF BOARD (C\$200 PERWORKING DAY) WAS "LESS THAN WHAT IS OFTEN PAID TO CONSULTANTS OR WHAT THEY COULD GET IN THEIR PROFESSION". MINISTER'S EXPLANATION FAILED SATISFY CRITICS OF TRUDEAU GOVERNMENT WHO COMPLAIN THAT GOC HAS FAILED PRESENT MODEL OF RESTRAINT. (CRITICS CITE RECENT LARGE PAY HIKE FOR SENIOR CIVIL SERVANTS, EXPANDING PM'S OFFICE, PM'S OWN SALARY INCREASE AFTER FIRST OF YEAR, AND NO REPORT FROM GOC ON SPECIFIC REDUCTIONS IN FEDERAL SPENDING.)

10. PC OPPOSITION LEADER STANFIELD SENT LETTER TO PM TRUDEAU ON NOVEMBER 20 SAYING PC COULD NOT SUPPORT LEGISLATION ON THIRD READING IF GOC DID NOT ACCEPT PC AMENDMENT TO TERMINATE BILL IN 18 MONTHS. EMBASSY WAS TOLD BY PC SOURCES THAT TRUDEAU REJECTED PC AMENDMENT BUT FINMIN MACDONALD IS WILLING TO AMEND LEGISLATION TO PERMIT PARLIAMENTARY REVIEW OF PROGRAM AFTER 18 MONTHS. PC RESEARCH OFFICE DIRECTOR 2. NEVILLE TOLD EMBOFF THIS GOC OFFER UNACCEPTABLE SINCE PARLIAMENTARY REVIEW WOULD BE "MERE PROGRESS REPORT" AND WOULD NOT ALLOW PARLIAMENT CHANGE LEGISLATION. (COPIES OF PC POSITION ON LEGISLATION PREPARED BY RESEARCH OFFICE BEING POUCHED EUR/CAN).  
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11. GOC GOT SOME HELP ON ANTI-INFLATION FIGHT WHEN FOUR FOOD CHAINS: STEINBERGS, DOMINION, LOBLAWS AND FOOD CITY, ANNOUNCED ON NOVEMBER 20 THAT THEY WERE FREEZING PRICES ON ABOUT 7,000 ITEMS EXCLUDING EGGS, MEAT AND PRODUCE, UNTIL THE MIDDLE OF JANUARY.

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12. COMMENT: PC OPPOSITION REALIZES THAT TOGETHER WITH NDP MPS IT DOESN'T HAVE THE VOTES TO AMEND LEGISLATION, BUT WON'T FILIBUSTER AGAINST BILL SINCE PUBLIC OPINION SEEMS FAVOR GOC "DOING SOMETHING" TO CONTROL INFLATION. ONLY "SOMETHING" BEFORE PARLIAMENT IS BILL C-73.

13. SUCCESS OF PROGRAM DEPENDS TO LARGE EXTEND ON PROVINCIAL ADOPTION OF COMPARABLE MEASURES TO FEDERAL PROGRAM. THUS FAR ONLY QUEBEC HAS INTRODUCED LEGISLATION ESTABLISHING REVIEW BOARD SIMILAR TO THAT AT FEDERAL LEVEL, BUT OTHER PROVINCES ARE INITIATING SOME CONTROLS. PROVINCIAL FINANCE AND LABOR MINISTERS ARE MEETING WITH FINMIN MACDONALD AND LABMIN MUNRO THIS WEEK WITH PROVINCIAL AUTHORITIES SEEKING FURTHER CLARIFICATION OF FEDERAL GUIDELINES AND FEDERAL MINISTERS EXPECTING COMMIGMENTS FROM PROVINCES TO GOC ANTI-INFLATION PROGRAM.

14. RESOLUTION OF POSTAL STRIKE WITHIN FRAMEWORK OF ANTI-INFLATION GUIDELINES IS MOST PRESSING PROBLEM FOR GOC AT PRESENT. HOWEVER, ANTI-INFLATION REVIEW BOARD HAS YET TO MAKE SINGLE DETERMINATION ON A WAGE CONTRACT OR PRICE RISE (AND PROBABLY WON'T UNTIL LAW IS PASSED). SHOULD BOARD BEGIN CUTTING BACK ON WAGE SETTLEMENTS, OTHER CONFRONTATIONS WITH UNIONS COULD DEVELOP GIVEN ORGANIZED LABOR'S COMMITMENT TO OPPOSE GOC ANTI-INFLATION PROGRAM.

JOHNSON

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## Message Attributes

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